VZCZCXRO1286
PP RUEHRG
DE RUEHBR #0981 1391803
ZNR UUUUU ZZH
P 191803Z MAY 06
FM AMEMBASSY BRASILIA
TO RUEHC/SECSTATE WASHDC PRIORITY 5428
INFO RUEHRI/AMCONSUL RIO DE JANEIRO 2100
RUEHSO/AMCONSUL SAO PAULO 6984
RUEHRG/AMCONSUL RECIFE 4797

UNCLAS BRASILIA 000981

SIPDIS

SIPDIS

STATE PLEASE PASS TO ISN ALEX BURKHART AND CHRISTINE MARTIN

E.O. 12958: N/A
TAGS: TRGY TNGD EMIN KSCA BR
SUBJECT: BRAZIL ENRICHES URANIUM AND RENEWS CALLS FOR ANGRA III

¶1. Summary: In addition to renewed speculation regarding the resumed construction of Angra III, Brazil also entered an exclusive club of 7 nations worldwide with the capacity to dominate the complete nuclear fuel cycle. Following a discreet inauguration ceremony, Brazil detailed its short-term goal of becoming self-sufficient in uranium production/enrichment by 2016/17. This takes into account the projected needs of a completed Angra III. Simultaneously, Bolivia's decision to nationalize its gas-fields has spurred Brazil to renew its search for sustainable, domestic supplies of energy. The most evident short-term solution is Angra III. End Summary

¶2. On May 5, the GoB inaugurated the first cascade of its first enrichment module in a final test at Brazil's enrichment facility in Resende. Another eight cascades are expected to be on-line by 2010 with the capacity to generate 60% of Brazil's fuel needs. The inaugural module is one of four enrichment units, one with four cascades and the others with 2, requiring approximately US$ 50 million in investments. The event marked the conclusion of a series of tests begun in 2005, and was the first to involve uranium. INB already has the capacity to reconvert uranium, fabricate pastilles and to assemble fuel units for use in Angra I and II. This does not mean, however, that Brazil is in a position to enrich uranium on an industrial scale. The enrichment facility still requires licensing permits from CNEN (Brazil's National Nuclear Energy Commission) and Ibama (Brazilian Environmental Protection Agency). Both are considered routine, and one officer in CNEN's International Relations officers relayed a belief to Scioff, though claiming to not have access to the information, that the permits would be granted sometime within the next three to six months.

¶3. Coinciding with this inauguration, there are renewed calls to finish construction of Brazil's Angra III reactor. Construction of Angra III was halted in 1992 due to a lack of resources. However, recent events, most notably the nationalization of Bolivia's oil and gas fields, have apparently convinced Brazil that it would be well served by investing in additional atomic energy capacity. In the fallout of the Bolivia gas crisis, Wagner Victer, Secretary of Rio de Janeiro's Energy, Naval Industry and Oil, estimated that Angra III would decrease Brazilian dependence on Bolivian natural gas by 7 million cubic meters per day. This is equivalent to 30% of the Brazil's yearly gas imports. Angra III would generate 1,300 MW and construction would require close to U.S.$ 2 billion in investments.

¶4. As recently as April, during the last meeting of Brazil's National Energy Council (CNPE) there was agreement that the project is viable. Media reports claim that even the project's fiercest opponent, Dilma Rousseff (Lula's Chief of Staff), has capitulated in the dispute. Othon Luiz Pinheiro (Director of Electronuclear) added, "there exists a great possibility that the Angra III project will be approved at the next meeting of CNPE" schedule for June. The Minister of Science and Technology, meanwhile, noted that CNEN is preparing a report about the construction of Angra III for President Lula to determine whether works should be reinitiated.

¶5. The change of heart is, as in most cases, fueled by economics. Nuclear power is showing itself economically viable against other forms of energy. Previously considered an impediment, the cost of producing atomic energy is now in line with the energy supplied by thermal and hydroelectric plants. In fact, the projected value of power produced by Angra III is on par with the energy sold during previous energy auctions in December of 05. Prior to the gas crisis with Bolivia, thermal energy from gas was priced at R$ 137/MWh as compared to R$ 140/MWh when Angra III would begin operation in 2012. Hubner Morreira, Interim Minister of Mines and Energy, recently stated, that the GoB has not only admitted the economic viability of Angra III but is also studying the legislative changes necessary to commercialize it.

¶6. Comment: With a proven capacity to enrich uranium and a continued emphasis on self-sufficient energy generation, Brazil appears to be closer than ever to embracing nuclear energy expansion. End Comment

CHICOLA